

Financial Statements of

**CANADIAN PATIENT SAFETY
INSTITUTE**

March 31, 2011

Independent Auditor's Report

To the Board of Directors of the Canadian Patient Safety Institute

We have audited the accompanying financial statements of the Canadian Patient Safety Institute, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Patient Safety Institute as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 10, 2011

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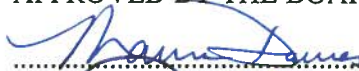
CANADIAN PATIENT SAFETY INSTITUTE

Statement of Financial Position

March 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT		
Cash	\$ 1,149,497	\$ 1,306,264
Accounts receivable	97,031	171,842
Lease allowance receivable (Note 8)	33,719	-
Inventory	106,548	-
Prepaid expenses	61,888	113,014
	<u>1,448,683</u>	<u>1,591,120</u>
FUNDS HELD IN TRUST (Note 4)	96,417	65,647
CAPITAL ASSETS (Note 5)	261,922	117,150
	<u>\$ 1,807,022</u>	<u>\$ 1,773,917</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 387,735	\$ 799,584
Deferred revenue (Note 6)	543,232	132,120
Deferred contributions (Note 7)	-	74,738
Deferred lease allowance (Note 8)	33,744	872
	<u>964,711</u>	<u>1,007,314</u>
LIABILITIES HELD IN TRUST (Note 4)	96,417	65,647
	<u>1,061,128</u>	<u>1,072,961</u>
COMMITMENTS AND CONTINGENCY (Notes 12 and 13)		
NET ASSETS		
Invested in capital assets	261,922	116,278
Unrestricted net assets	483,972	584,678
	<u>745,894</u>	<u>700,956</u>
	<u>\$ 1,807,022</u>	<u>\$ 1,773,917</u>

APPROVED BY THE BOARD

 Director
 Director

CANADIAN PATIENT SAFETY INSTITUTE
Statement of Operations and Net Assets
Year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
REVENUE		
Contributions from Government of Canada (Note 9)		
Base funding	\$ 8,000,000	\$ 8,000,000
Program funding		
Canadian Medication Incident Reporting and Prevention System	68,642	214,299
Canada's Forum	20,000	-
Safe Surgery Saves Lives Workshop	15,000	15,000
	8,103,642	8,229,299
OTHER REVENUE		
Sponsorship	529,546	694,040
Registrations	464,162	292,983
Publication sales	37,066	16,620
Interest	31,037	16,748
Honoraria	1,000	11,122
Other	630	-
	1,063,441	1,031,513
TOTAL REVENUE	9,167,083	9,260,812
EXPENDITURES		
Programs and initiatives		
Safer Healthcare Now!	1,603,636	1,681,102
Knowledge Transfer	959,032	802,626
Education	788,031	403,703
Research	699,690	920,540
Patient Safety Tools	225,553	197,676
Transitional Programs	199,277	549,903
Governance	114,487	155,116
	4,589,706	4,710,666
OPERATIONS		
Salaries, wages and benefits	2,987,463	2,836,083
Other operating costs	849,244	804,397
Travel and meetings	350,302	401,029
Professional services	135,939	139,350
Board of Directors	120,655	236,696
Depreciation	88,836	129,460
	4,532,439	4,547,015
TOTAL EXPENDITURES	9,122,145	9,257,681
EXCESS OF REVENUE OVER EXPENDITURES	44,938	3,131
NET ASSETS, BEGINNING OF YEAR	584,678	490,460
TRANSFER (TO) FROM INVESTED IN CAPITAL ASSETS (1)	(145,644)	91,087
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 483,972	\$ 584,678
(1) Comprised of:		
Purchase of capital assets	\$ (233,608)	\$ (27,917)
Depreciation expense	88,836	129,460
Proceeds on disposal of capital assets	630	-
Gain on disposal of capital assets	(630)	-
Amortization of lease allowance	(872)	(10,456)
	\$ (145,644)	\$ 91,087

CANADIAN PATIENT SAFETY INSTITUTE

Statement of Cash Flow

Year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenditures	\$ 44,938	\$ 3,131
Items not affecting cash		
Depreciation	88,836	129,460
Amortization of lease allowance (Note 8)	(6,063)	(10,456)
Gain on disposal of capital assets	(630)	-
	<u>127,081</u>	<u>122,135</u>
Changes in non-cash operating working capital		
Accounts receivable	74,811	63,880
Lease allowance receivable	(33,719)	-
Inventory	(106,548)	-
Prepaid expenses	51,126	3,108
Accounts payable and accrued liabilities	(411,849)	95,217
Deferred revenue	411,112	(223,952)
Deferred contributions (Note 9)	(74,738)	74,738
Lease inducement received	38,935	-
	<u>76,211</u>	<u>135,126</u>
INVESTING		
Purchase of capital assets	(233,608)	(27,917)
Proceeds on disposal of capital assets	630	-
	<u>(232,978)</u>	<u>(27,917)</u>
NET CASH (OUTFLOW) INFLOW	(156,767)	107,209
CASH, BEGINNING OF YEAR	1,306,264	1,199,055
CASH, END OF YEAR	\$ 1,149,497	\$ 1,306,264

CANADIAN PATIENT SAFETY INSTITUTE

Notes to the Financial Statements

Year ended March 31, 2011

1. PURPOSE OF THE ORGANIZATION

The Canadian Patient Safety Institute (the "Institute") was incorporated under the Canada Corporations Act on December 5, 2003. The purpose of the Institute is to address patient safety issues in the context of improving health care quality by strengthening system coordination, promoting best practices and providing advice to governments and stakeholders by placing patient safety in the broader context of quality improvement in health care.

The Institute is exempt from income taxes under Section 149(1)(l) of the Income Tax Act.

2. CHANGES IN ACCOUNTING POLICIES

Future accounting changes

On December 1, 2010, the Canadian Institute of Chartered Accountants released the new accounting framework applicable to Canadian not-for-profit organizations, which is effective for fiscal years beginning January 1, 2012. Not-for-profit organizations will have to choose between International Financial Reporting Standards and Canadian Accounting Standards for not-for-profit organizations, whichever suits them best. Early adoption of these standards is permitted. Adoption is on a retroactive basis. The Institute currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on April 1, 2012; however, the impact of this transition has not yet been determined.

3. ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

Cash

Cash includes cash on deposit in interest-bearing bank accounts.

Inventory

Inventory is valued at the lower of cost or net realizable value using the average cost method.

Capital assets

Capital assets are recorded at cost. Depreciation is provided at rates designed to amortize the carrying values of the assets over their estimated useful lives as follows:

Computers	2 years straight-line
Office equipment	5 years straight-line
Office furniture	5 years straight-line
Leasehold improvements	5 years straight-line

In the year of acquisition or disposal, a half year of depreciation is recorded.

CANADIAN PATIENT SAFETY INSTITUTE

Notes to the Financial Statements

Year ended March 31, 2011

3. ACCOUNTING POLICIES (continued)

Revenue recognition

The Institute receives contributions from the Government of Canada to fund operations. The Institute follows the deferral method of accounting for contributions. Contribution revenue from the Government of Canada, interest income earned on the contribution and sponsorship revenue are recognized in the period in which the related expenditures are incurred. Contributions restricted for acquisition of capital assets are recognized in income consistent with the rate of depreciation of those capital assets.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other income is unrestricted and recognized in the period earned.

Financial instruments

The Institute has elected to apply Section 3861, *Financial Instruments - Disclosure and Presentation*, in place of Section 3862, *Financial Instruments - Disclosure* and Section 3863 - *Financial Instruments - Presentation*.

All financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale and other financial liabilities. They are all initially recognized on the statement of financial position at their fair values. Subsequent to their initial recognition, all financial instruments continue to be measured at their fair value except for held-to-maturity instruments, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest method.

Financial instruments are classified into one of the following categories. They are initially measured at fair value and subsequently according to the following measurement methods.

<u>Financial asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Lease inducements

Tenant lease inducements received are deferred and amortized straight-line over the term of the lease by offsetting occupancy costs. Tenant lease inducements receivable are accrued and recognized straight-line over the term of the lease until such time as the inducement is received.

Donated services

Many people and organizations contribute their time and effort to the success of the Institute. Neither the benefit nor the cost of donated services is recognized in these financial statements as it is not practically determinable.

CANADIAN PATIENT SAFETY INSTITUTE

Notes to the Financial Statements

Year ended March 31, 2011

3. ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management's estimates relate to the determination of the collectible amounts of accounts receivable, the useful lives of capital assets and corresponding depreciation rates, the amount of accrued liabilities and the fair value of financial instruments.

Impairment of long-lived assets

When a long-lived asset no longer contributes to the Institute's ability to provide service, the carrying amount is written down to residual value. The amount of the impairment loss is determined as the excess of the carrying value over its residual value. No impairment was recorded in the current year.

Employee benefit plan

The Institute makes contributions to employees' registered retirement savings plans, whereby the Institute matches employee contributions up to 6% of employees' salaries. During the year, the Institute contributed \$149,253 (2010 - \$122,868).

Net assets

Net assets consist of unrestricted net assets and invested in capital assets. Transfers from invested in capital assets to unrestricted net assets consist of additions funded through operations, depreciation and disposals of assets.

4. FUNDS HELD IN TRUST

The Institute has responsibility for the stewardship of the Canadian Healthcare Safety Symposium, an annual conference related to patient safety. This symposium has concluded and the Institute is holding the remaining fund balance on behalf of the original funding organizations, pending their decision on the desired use of these funds.

	<u>2011</u>	<u>2010</u>
Opening fund balance	\$ 65,647	\$ 150,934
Prior period prepaid reversal	56,764	49,561
Conference revenue	520,621	612,687
Conference expenses	(546,615)	(690,771)
Prepaid expense for future conference	-	(56,764)
	<u>\$ 96,417</u>	<u>\$ 65,647</u>

CANADIAN PATIENT SAFETY INSTITUTE

Notes to the Financial Statements

Year ended March 31, 2011

5. CAPITAL ASSETS

	2011			2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computers	\$ 325,071	\$ 287,016	\$ 38,055	\$ 11,269
Office equipment	106,727	49,222	57,505	27,422
Office furniture	266,484	232,674	33,810	59,357
Leasehold improvements	323,362	190,810	132,552	19,102
	<u>\$ 1,021,644</u>	<u>\$ 759,722</u>	<u>\$ 261,922</u>	<u>\$ 117,150</u>

6. DEFERRED REVENUE

	2011	2010
Sponsorship	\$ 484,938	\$ 126,120
Registration	58,294	-
Honoraria	-	6,000
	<u>\$ 543,232</u>	<u>\$ 132,120</u>

7. DEFERRED CONTRIBUTIONS

	2011	2010
Canadian Medication Incident Reporting and Prevention System	\$ -	\$ 74,738

At the beginning of the year, the Institute held \$74,738 in deferred contributions restricted for future operations related to the Canadian Medication Incident Reporting and Prevention System (CMIRPS). During the year, the Institute used \$68,642 of these funds for objectives related to the CMIRPS project. At the conclusion of the project, the Institute repaid the remaining \$6,096 in unused funds to the Government of Canada.

8. LEASE ALLOWANCES

The Institute recognized the remaining unamortized lease inducement on hand at the end of the prior year. During the year, the Institute entered into two new lease agreements for office space. The first provided a leasehold improvement allowance of \$183,920. This amount has not yet been received or applied. As at March 31, 2011, the accrued lease inducement receivable is \$33,719.

Under the second lease, the Institute received a lease allowance of \$38,935 as an inducement from the landlord. As at March 31, 2011, the unamortized deferred lease allowance is \$33,744.

CANADIAN PATIENT SAFETY INSTITUTE

Notes to the Financial Statements

Year ended March 31, 2011

9. CONTRIBUTIONS FROM GOVERNMENT OF CANADA

The current funding agreement with the Government of Canada includes a commitment of annual future contributions up to \$8 million for each of the fiscal years 2011 to 2013.

During the year, the Institute received payments of \$8 million (2010 - \$8 million) from the Government of Canada for base funding. The agreement under which the contributions have been provided specifies that the funding must either be used for the purposes specified, or be returned to the Government of Canada. Accordingly, in the event that the Institute does not utilize any remaining deferred contributions in pursuit of its objectives, the unexpended monies remaining may have to be repaid to the Government of Canada. At year-end, the Institute had no unexpended monies.

The Institute's ability to continue operations depends on the Government of Canada providing on-going contributions in accordance with the funding agreement.

During the year, the Government of Canada contributed \$8,035,000 (2010 - \$8,304,037) to the Institute, which includes the base funding identified above as well as other program funding. All of this amount, plus \$68,642 in contributions provided in a prior year and identified in Note 7 above, was recognized as revenues during the year. In addition, \$20,000 (2010 - \$5,000) was contributed by way of sponsorship to the fund held in trust and is recorded in the fund's current year conference revenues (Note 4).

10. CAPITAL MANAGEMENT

The Institute defines capital as the sum of unrestricted net assets and net assets invested in capital assets. The Institute's goal in managing its capital is to safeguard its ability to address patient safety issues as mandated. To accomplish this goal, policies have been established to preserve the financial condition of the Institute and financial reports are reviewed regularly by management and the Board of Directors.

Capital management objectives, policies and procedures are unchanged since the preceding year.

11. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2011, the Institute, along with other entities, funded the activities of the Atlantic Node of Safer Healthcare Now! ("SHN") and participated on its steering committee. Funding provided in the year was nil (2010 - \$130,000). The Atlantic Node is an unincorporated non-profit entity whose purpose is to support local teams enrolled in SHN initiatives and promote these initiatives in the Atlantic provinces. During the year, there were no transactions with the Atlantic Node.

CANADIAN PATIENT SAFETY INSTITUTE

Notes to the Financial Statements

Year ended March 31, 2011

12. COMMITMENTS

The Institute has entered into various service and equipment lease contracts. The minimum payments due under these contracts over the next three years are as follows:

2012	\$ 82,297
2013	22,542
2014	1,772

The Institute has entered into various premises lease agreements. The minimum payments due under these contracts over the next five years are as follows:

2012	\$ 260,766
2013	260,766
2014	260,766
2015	260,766
2016	30,492

The Institute has committed funding on various programs and initiatives over the next fiscal year totalling \$177,331.

13. CONTINGENCY

The Institute is contingently liable for cancellation fees of up to \$27,689 on facilities for conferences to be held in 2011 if the events are cancelled.

14. DEMAND LOAN

The Institute has an unused revolving demand loan with a maximum limit of \$750,000 that, when used, bears interest at bank prime and is secured by a general security agreement.

15. TRANSITION OF PROGRAM AND SUBSEQUENT EVENTS

Effective April 1, 2010, the Western Node, which in the Western provinces delivered activities under SHN, became an internal regional program of the Institute. The revenue and expenses of this regional activity are reflected in the statement of operations and net assets. As of March 31, 2011, the Institute held \$359,969 in deferred revenues for the future activities of the Western region.

Subsequent to the date of the statement of financial position, the Atlantic Node, as described in Note 11, transitioned to being an internal regional program of the Institute. The Node was previously partially funded by the Institute and the results of its operations were not included in the results of the Institute. Beginning in the 2012 fiscal year, the revenues and expenses of this regional activity will be reflected in the statement of operations and net assets.

CANADIAN PATIENT SAFETY INSTITUTE

Notes to the Financial Statements

Year ended March 31, 2011

16. FINANCIAL INSTRUMENTS

The Institute's financial instruments, which consist of cash, accounts receivable and other receivables and accounts payable and accrued liabilities, approximate fair value due to the short-term maturity of these instruments.

Interest rate risk

The Institute is exposed to interest rate risk on its cash balances because the interest rate fluctuates with the prime rate.

Credit risk

The Institute is exposed to credit risk through accounts receivable.

17. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation. Program expenditures are grouped to reflect the Institute's approved strategic plan and action plan. As compared to the prior year's presentation, programs and interventions are presented under the Safer Healthcare Now! title, the Governance program is shown separately from other education programs, communications is presented as Knowledge Transfer and certain transitional programs including the former advisory committee structure have been phased out. The reclassification also impacts the division between program and operational expenditures, as some communications activities formerly under operations are now included in Knowledge Transfer.